Pharmacy Benefit Management
Contract
Retrospective Audit Proposal

For

UFCW Unions & Participating Employers Health and Welfare Fund

April 16, 2018

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AUDIT PURPOSE

The primary goal of the audit is to verify the accuracy of claims payment according to the Plan's parameters and contractual agreement. The audit will meet the following objectives:

- Verify the Plan is being administered in compliance with contractual obligations, and the Plan is receiving all benefits of the contractual arrangement.
- Confirm the proper application of various program elements related to claims cost determination, such as negotiated discounts for Brand and Generic Drug Claims and maximum allowable cost (MAC) application.
- Review and validate that claims cost-management features and clinical protocols were administered appropriately and providing the intended value.
- Compare PBM's performance against guarantees to ensure quality, consistent administration.
- Identify errors, propose solutions, and assess the recovery potential.

AUDIT SCOPE

Heritage proposes an audit scope that will cover claims for a period of 24 consecutive months (or 2 years) and include the Audit Elements listed below. *final audit scope to be confirmed with the Fund*

Audit Elements

I. Financial Elements

- Average Wholesale Price (AWP) discounts accurately and consistently applied to Brand and Generic Drug Claims (Specialty and Non-Specialty) for each distribution channel
- Correct application of the MAC
- Claims adjudication using 'lowest of logic'
- Usual and customary (U&C) pricing application
- Discounts, dispensing fees and administrative fees applied for all distribution channels
- Pricing guarantees met, examining how and when these guarantees were applied during the claims adjudication and payment process
- Rebate allocation and payments[1]

II. Benefit Plan and Program Design Elements

- Copay administration
- Day supply limits

[1] Assumes validation of rebates using reporting provided by PBM. An audit scope covering onsite review of OptumRx's Manufacturer Rebate contracts will be provided, upon request.

- Excluded or 100% copay products
- Pharmacy deductibles and pharmacy annual plan maximums (as applicable)
- Preventative drug list administration (as applicable)
- $0 Copay lists
- Compound drug claim management
- Exclusive specialty program administration
- Accurate, consistent administration of formulary and clinical management programs, including:
    - Prior Authorization
    - Quantity Level Limits
    - Step Therapy

Audit Processes

Before the audit process commences, Heritage works with each client to develop an agreed-upon audit scope of services and project plan. Our audit process includes the following steps:

I. **Audit Planning**, where we discuss the audit scope and project plan; secure signatures on key documents such as a confidentiality agreement or Business Associate Agreement, as needed or required; issue data requests to the PBM and others as needed or required to complete the audit.

II. **Data Interrogation,** during which we load and review the paid claims, formulary and other data files supplied by the applicable source to ensure receipt of complete, auditable data. A second data request will be issued to the appropriate parties as needed or required to complete the audit.

III. **Field Work,** where we perform the audit procedures. From this point forward, we issue bi-weekly or monthly status reports (based on client's needs), informing you of progress made in the audit, and advising you of any issues or foreseeable delays in completing the audit project plan, agreed upon during the Planning phase.

IV. **Report Audit Findings.** Heritage will compile the findings and deliver a preliminary audit report to the Fund and the PBM for review, comment and clarification. A reconciliation assessment will be completed upon receipt of the PBM's response. Heritage will incorporate all findings into a final Audit Report, to include a corrective action plan where needed or required, and recommendations for recovering monies that may be owed to the Fund.

Proposed Audit Team:

Nancy Eid: Project Lead, Primary Client Contact

Rich Brookler, Lead Auditor

Arlene Romaska, Financial Analysis

Genevieve Regal, Clinical Pharmacist

Anne Opp, Project Manager

Audit Timeline

Generally, audits take 3-6 months to complete. Variability depends on the final, approved scope of work and Heritage's access to required data, supplied in the format(s) requested.

Fees

The estimated fees for the proposed audit is $45,000.

If travel is required to complete any portion of the audit, those expenses will be billed to the Fund at cost.

Quoted Fees assume Heritage will audit 24 months of paid claims data for the Financial, Benefit Plan and Program Design Elements described above.

If the Fund wishes to pursue a more rigorous Rebate Audit, Heritage will provide an adjusted Proposal and Fees.